

REFERENCE TITLE: corporate income tax; sales factor

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

## **SB 1004**

Introduced by  
Senators Harper: Flake

### AN ACT

AMENDING SECTION 43-1139, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2002, CHAPTER 326, SECTION 38; AMENDING SECTION 43-1139, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2005, CHAPTER 289, SECTION 1; RELATING TO CORPORATE INCOME TAX ALLOCATION; PROVIDING FOR CONDITIONAL ENACTMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1139, Arizona Revised Statutes, as amended by  
3 Laws 2002, chapter 326, section 38, is amended to read:

4 **43-1139. Allocation of business income**

5 A. Except as provided in subsection B of this section, THE TAXPAYER  
6 SHALL ELECT TO APPORTION all business income ~~shall be apportioned~~ to this  
7 state AS FOLLOWS:

8 1. FOR TAXPAYERS LOCATED OUTSIDE NONATTAINMENT AREA A AND AREA B, AS  
9 DEFINED IN SECTION 49-541, BY EITHER:

10 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS  
11 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR  
12 AND THE DENOMINATOR OF WHICH IS FOUR.

13 (b) MULTIPLYING THE INCOME BY THE SALES FACTOR.

14 2. FOR ALL OTHER TAXPAYERS, by multiplying the income by a fraction,  
15 the numerator of which is the property factor plus the payroll factor plus  
16 two times the sales factor, and the denominator of which is four.

17 B. All business income of a taxpayer engaged in air commerce shall be  
18 apportioned to this state by multiplying the income by a fraction, the  
19 numerator of which is the revenue aircraft miles flown within this state for  
20 flights beginning or ending in this state and the denominator of which is the  
21 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.  
22 This subsection applies to each taxpayer, including a combined group filing a  
23 combined return or an affiliated group electing to file a consolidated return  
24 under section 43-947, if fifty per cent or more of that taxpayer's gross  
25 income is derived from air commerce. For THE purposes of this subsection:

26 1. "Air commerce" means transporting persons or property for hire by  
27 aircraft in interstate, intrastate or international transportation.

28 2. "Revenue aircraft miles flown" has the same meaning prescribed by  
29 the United States department of transportation uniform system of accounts and  
30 reports for large certificated air carriers (14 Code of Federal Regulations  
31 part 241).

32 Sec. 2. Section 43-1139, Arizona Revised Statutes, as amended by Laws  
33 2005, chapter 289, section 1, is amended to read:

34 **43-1139. Allocation of business income**

35 A. Except as provided in subsection B of this section, the taxpayer  
36 shall elect to apportion all business income to this state AS FOLLOWS:

37 1. FOR TAXPAYERS LOCATED OUTSIDE NONATTAINMENT AREA A AND AREA B, AS  
38 DEFINED IN SECTION 49-541, BY EITHER:

39 (a) MULTIPLYING THE INCOME BY A FRACTION, THE NUMERATOR OF WHICH IS  
40 THE PROPERTY FACTOR PLUS THE PAYROLL FACTOR PLUS TWO TIMES THE SALES FACTOR  
41 AND THE DENOMINATOR OF WHICH IS FOUR.

42 (b) MULTIPLYING THE INCOME BY THE SALES FACTOR.

43 2. FOR ALL OTHER TAXPAYERS, for taxable years beginning from and  
44 after:

45 ~~1.~~ (a) December 31, 2006 through December 31, 2007 by either:

1           ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which  
2 is the property factor plus the payroll factor plus two times the sales  
3 factor, and the denominator of which is four.

4           ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which  
5 is two times the property factor plus two times the payroll factor plus six  
6 times the sales factor, and the denominator of which is ten.

7           ~~2.~~ (b) December 31, 2007 through December 31, 2008 by either:

8           ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which  
9 is the property factor plus the payroll factor plus two times the sales  
10 factor, and the denominator of which is four.

11           ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which  
12 is one and one-half times the property factor plus one and one-half times the  
13 payroll factor plus seven times the sales factor, and the denominator of  
14 which is ten.

15           ~~3.~~ (c) December 31, 2008 by either:

16           ~~(a)~~ (i) Multiplying the income by a fraction, the numerator of which  
17 is the property factor plus the payroll factor plus two times the sales  
18 factor, and the denominator of which is four.

19           ~~(b)~~ (ii) Multiplying the income by a fraction, the numerator of which  
20 is the property factor plus the payroll factor plus eight times the sales  
21 factor, and the denominator of which is ten.

22           B. All business income of a taxpayer engaged in air commerce shall be  
23 apportioned to this state by multiplying the income by a fraction, the  
24 numerator of which is the revenue aircraft miles flown within this state for  
25 flights beginning or ending in this state and the denominator of which is the  
26 total revenue aircraft miles flown by the taxpayer's aircraft everywhere.  
27 This subsection applies to each taxpayer, including a combined group filing a  
28 combined return or an affiliated group electing to file a consolidated return  
29 under section 43-947, if fifty per cent or more of that taxpayer's gross  
30 income is derived from air commerce. For the purposes of this subsection:

31           1. "Air commerce" means transporting persons or property for hire by  
32 aircraft in interstate, intrastate or international transportation.

33           2. "Revenue aircraft miles flown" has the same meaning prescribed by  
34 the United States department of transportation uniform system of accounts and  
35 reports for large certificated air carriers (14 Code of Federal Regulations  
36 part 241).

37           Sec. 3. Conditional enactment

38           Section 43-1139, Arizona Revised Statutes, as amended by Laws 2005,  
39 chapter 289, section 1 and section 2 of this act, is effective from and after  
40 December 31, 2007, subject to the conditions prescribed by Laws 2005, chapter  
41 289, section 3.